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Chief, Economic Research Area, ORR

6 January 1960

Chief, Industrial Division, ORR

Monthly Report, December 1959

I. Relations with and Support to Other Components:

A. CIA:

1. Chief, D/I briefed the DCI on NIE 11-8-59, "Soviet Capabilities for Strategic Attack through Mid-1964," which by the end of December was successfully completed. Also, Chief, D/I together with Chief, ERA and Chief, D/A on several occasions briefed members of USIB on general economic developments in the USSR, particularly with respect to the military expenditures implication of NIE 11-4-59, "Main Trends in Soviet Capabilities and Policies, 1959-64."

2. Premier Khrushchev's Budapest statement on missiles of 1 December led to a request for I/OM comment and support for an OCI publication. I/OM also assisted Chief, D/I in preparing a brief comment for the DCI on an earlier Khrushchev statement on missile expenditures.

25X1A9a 3. In connection with a visit with analysts at headquarters ACSI, US Army, [REDACTED] I/ME, was apprised that a substantial number of Soviet citizens of German origin have recently reached Western Germany. St/I/R was alerted immediately with a view to ascertaining the availability of these sources for interrogation.

4. The Deployment Section of I/OM provided extensive support, including the loan of branch graphics, to OSI in the preparation of a forthcoming briefing for the DCI on new developments in the surface-to-air missile field. The briefing will be presented to the DCI in early January and is the first of a series of OSI briefings intended to apprise the Director of new developments in technical fields. Chief, I/OM has been invited to attend the briefing and answer questions on the economic, production, and deployment aspects should any arise.

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5. I/GM prepared initial drafts of the production and deployment sections of a paper, dealing with the history of Soviet development of long-range ballistic missiles, to be submitted by the DCI to the President in mid-January. GMD/OSI is the action unit in the Agency for this paper, and close coordination is being maintained with OSI on the subsequent drafts.

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6. At the request of SR. DD/P. [REDACTED], I/GM, briefed [REDACTED] on current problems of collecting information on the Soviet guided missile program. Also, the Deployment Section, I/GM, briefed 8 members of the Reports Branch of DD/P/EE on the role, within CIA, of ORR in the field of guided missile deployment. The meeting was arranged after learning that this group was unaware of ORR's interest in and responsibility for this type of information.

B. USIB:

Exchange Committee:

7. I/PE and I/GM jointly recommended an exchange with the USSR on the manufacture of tractor drills and tractor cultivators and recommended again (as was done in May 1959) an exchange in the field of railroad car manufacture.

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8. I/PE continued to provide guidance for the proposed trip [REDACTED] Laboratories, to the USSR to visit construction machinery plant.

GMAIC

9. I/GM, at the request of the Chairman, GMAIC, prepared draft terms of reference for a proposed GMAIC Subcommittee on Guided Missile Production. The GMAIC is considering recommending to USIB the establishment of several formal subcommittees, one of which would deal with production. As of mid-December, the CIA and NSC members and the Chairman, GMAIC, favored the formation of subcommittees on Technical, Collection, Production and Astronautics intelligence; the other members either objected (Navy, Joint Staff and State), or reserved judgment (USAF, Army) pending examination of draft terms of reference for the proposed subcommittees. Despite the varied positions, all GMAIC members agree that it has become virtually impossible for them to keep informed on the wide range of topics now regularly considered at GMAIC meetings, and reported on to the USIB.

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**C. Other:**

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10. [REDACTED], I/EE, was recalled [REDACTED] for additional TDY in connection with the 1959 COCOM review of the International List of strategic trade items.

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11. [REDACTED], I/EE, devoted considerable time to supporting the CIA position that Bloc countries are producing COCOM item 1016, grinding heads and spindle assemblies, a position which the Office of the Secretary of Defense has challenged. At the end of the month, the CIA fact sheet remained unchanged; however, OSD continued to maintain that CIA had not proved actual production of these items. An order has been placed with [REDACTED] to acquire a Hungarian manufactured grinding spindle which was advertised in a Hungarian trade journal.

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12. In connection with Project 36.2376, "The Impact of Guided Missile Requirements on the Electronics Industry of the USSR," Mr. [REDACTED] I/EE, visited the Air Force Ballistic Missile Division (ABMD) in Inglewood, California to obtain cost information on U.S. ballistic missiles. Aggregate program data were obtained on the Thor and Titan missiles. In addition, requirements personnel in the Office of the Chief of Naval Operations were consulted on the costs of operational missile systems used by the Navy.

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13. [REDACTED] I/EE, travelled to AFIC, Dayton, Ohio, to confer with personnel of AFIC-4 on Soviet electronic data processing equipment and communications facilities in the Soviet Air Defense System. Information received was for use in NIE 11-3-59, "Sino-Soviet Bloc Air Defense Capabilities."

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14. To support [REDACTED] in connection with its work for the Joint Disarmament Study Group, as well as for other projects, I/EE prepared and transmitted to [REDACTED] extensive material on rifle ratios, military expenditures, Soviet Air Force personnel pay, and the formulation and execution of policy for Soviet weapons.

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15. Members of the Deployment Section of I/GM consulted with Mr. Vaughn of SMITIG on SMITIG's current research efforts on the analysis of certain special materials related to guided missile deployment.

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**II. Changes in Estimates:**

16. A number of significant changes in the projected course and mix of Soviet military procurement have been incorporated in I/EE's recent contribution to HIE 11-4-59 vis-a-vis 11-4-58. In the aggregate, the value of Soviet procurement is now estimated to have been lower in the recent past and is projected at appreciably smaller rates of growth. Thus, instead of doubling over the period 1958-63, it is estimated that the increase will be on the order of 55-60 percent. The most striking change in the mix is the drastic downward revision with regard to aircraft throughout the period. From being the dominant element of procurement for most of the period, it is now but a relatively small part. Expenditures for guided missiles have become the dominant element (although at lower levels than in last year's estimate) and are responsible for most of the growth projected for the period.

**III. Future Plans:**

25X1A2d2 17. A special meeting of the EIC Subcommittee on Electronics and Telecommunications was called to discuss the preparation of papers for the [REDACTED] Electronics Conference, to be held in Washington in May 1960. I/EE is presently scheduled to prepare two papers for this Conference.

25X1A9a 18. Approval has been given for Chief, D/I and [REDACTED] I/GM, to negotiate the services of an outside specialist to provide certain information requested from CIA on clandestine ICBM production under conditions of discretion. Negotiations will begin in January 1960.

**IV. Problems:**

19. No significant problems were encountered during December.

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[REDACTED]

**Distribution:**

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